



CONFLICT RESOLUTION IN MINDANAO

CREDIT UNION EMPOWERMENT & STRENGTHENING PHILIPPINES (CUES-Phils.)

OBJECTIVES

- Transform savings and credit cooperatives into safe and sound financial institutions that would offer quality products and professional services, and reach out to the marginalized sectors of society
- Transfer micro-finance methodologies based on financial disciplines and strict prudential standards by promoting operational efficiency and profitability
- Support development of viable and competitive credit cooperative that are able to positively respond to market needs and help alleviate poverty through Model Credit Union Building (MCUB) methodology, Savings and Credit with Education (SCWE) program and the FOCCUS (Finance Organizations achieving Certified Credit Union Standards) brand

Visit our website
<http://www.usaid-ph.gov>
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BACKGROUND/HISTORY

The causes for the credit union financial distress and insolvency in many countries, including the Philippines, are many. These include inappropriate accounting principles, rules and practices, lack of transparency of credit union management, lack of credit union audit guidelines, unreliable external auditors, and the lack of prudential supervision by the regulatory authority for credit cooperatives.



Technical mismanagement also plays a major role in the problems facing credit cooperatives. Technical mismanagement involves a variety of inadequate policies and practices. The most relevant ones are poor lending practices, lack of internal controls, and poor planning in the area of business management. Hiding and creative accounting become a common practice. Worst of all, recovery goes to the bottom of the list of credit union priorities. A convergence of attitudes takes place: the borrower is unable or unwilling to pay and the credit union neglects recovery. And in the case of lending to related parties, neglect is often not coincidental.

This situation has been aggravated by the fact credit union have traditionally been used as conduits for channeling highly subsidized government funds to the lower income sector. Experience has demonstrated that this has done more harm to the already distressed credit unions since the repayment rate in these programs have been very poor. The existence of widespread financial distress in the Philippine credit union system clearly suggests that there is more to be gained from reforms aimed at improving the way it allocates resources than from measures designed mainly to increase the quantity of resources channeled through the credit unions.

CUES Philippines commenced operations during the mid 1997. Its main objective is to identify and transform credit cooperatives into safe and sound institutions. After experiencing some early resistance, the program quickly made headway as the first eleven credit cooperatives from Mindanao joined the Program



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ACHIEVEMENTS

- Since 1997 CUES has restructures 38 credit cooperatives locations throughout Mindanao and Region VIII. Of these, 13 credit cooperatives are located in the ARMM & CAAM.
- The CUES Program was awarded the highest international honor, the 2002 Herb Wegner Memorial Award for Outstanding Organization/Program from the National Credit Union Foundation in the US
- Consolidated total asset of CUES credit cooperatives grew from a baseline of P479M to P4.24B.
- Total membership increased from 36,195 to 408,088
- Increased loans of P 296M to P2.9B
- Mobilized savings and shares from P325M to P3.51B
- Drastically lowered delinquency from 63% to 15.08%
- Awarded FOCCUS Brand to 17 partner cooperatives
- Formed 1,832 SCWE SCAs from 16 partner cooperatives having 45,481 members with P34.19M savings deposit
- Created MCN (Model Cooperative Network) to sustain the work of CUES Philippines, strengthen and protect the integrity of the FOCCUS Brand

The CUES program is implemented by World Council of Credit Unions, Inc., an international credit union development association that advocates and implements a platform for innovation and development of credit unions worldwide.

PROGRAMS/SERVICES

CUES Philippines has two major thrusts:

First, the transformation of the Savings and Credit Cooperatives into strong financial institutions through **Model Credit Union Building (MCUB) Program developed by the World Council of Credit Unions**. The major component of the MCUB methodology is the **P.E.A.R.L.S. Monitoring System**, a management tool that goes beyond the simple identification of problems. The project utilizes the PEARLS Monitoring System's 46 financial ratios to enable partner cooperatives monitor their overall financial strength. As an early warning system that generates invaluable management information for future strategic planning, PEARLS allows management to focus on key indicators necessary to maintain the cooperative's financial stability. Credit cooperatives that reaches specific PEARLS rating criteria are awarded a branding logo called **FOCCUS** (Finance Organizations achieving Certified Credit Union Standards). The brand attests to the cooperatives' financial strength and stability.



Second, the **Savings and Credit with Education (SCWE)** Methodology designed by the Freedom From Hunger (FFH), is a village banking outreach program promoting self-help groups to build the capacity of women to overcome root causes of poverty, hunger and malnutrition. CUES Philippines implemented the SCWE program by integrating both financial and education services with the latter covering high impact topics on health and nutrition, micro-enterprise, savings and credit management as well as self-confidence building. Cooperatives provide credit to very poor rural women by forming savings and credit associations (SCAs) for small business owners. The SCWE Program has proven to partner coops that profitable business can thrive on marginalized sectors of the society. The program facilitated growth in membership of the credit cooperatives as graduating SCWE members with good track records were promoted to regular membership.

PROJECT MANAGEMENT

THE CHIEF OF PARTY CUES PROGRAM

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